

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman;
Nanci E. Langley; and
Robert G. Taub

Competitive Product Prices
Global Expedited Package Services Contracts
Non-Published Rates

Docket No. MC2012-4

Competitive Product Prices
Global Expedited Package Services Contracts
Non-Published Rates 3 (MC2012-4)

Docket No. CP2012-8

NOTICE AND ORDER CONCERNING ADDITION OF GLOBAL EXPEDITED
PACKAGE SERVICES - NON-PUBLISHED RATES 3 (GEPS-NPR 3) TO
COMPETITIVE PRODUCT LIST

(December 23, 2011)

I. INTRODUCTION

In accordance with 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.*, and Order No. 630, the Postal Service filed a formal request and associated supporting information to add Global Expedited Package Services–Non-Published Rates 3 (GEPS–NPR 3) to

the competitive product list.¹ The Postal Service states that the addition is necessary due to changes in the non-discounted published postage for Express Mail International (EMI), Priority Mail International (PMI), and Global Express Guaranteed (GXG), as well as a new GEPS–NPR 3 model contract and accompanying financial model that differ from the GEPS–NPR 2 model contract and financial model. Request at 2-3. The Request has been assigned Docket No. MC2012-4.

The Postal Service contemporaneously filed a redacted version of the GEPSNPR 3 model contract related to the proposed new product under 39 U.S.C. 3632(b)(3) and 39 CFR 3015.5. *Id.* Attachment B. The instant contract has been assigned Docket No. CP2012-8.

Request. To support its Request, the Postal Service filed six attachments as follows:

- Attachment 1—an application for non-public treatment of materials filed under seal;
- Attachment 2A—a redacted version of Governors’ Decision No. 11-6;
- Attachment 2B— a revised version of MCS 2510.8 GEPS-NPR;
- Attachment 2C—a redacted version of Management’s Analysis of the Prices and Methodology for Determining Prices For Negotiated Service Agreements Under Global Expedited Package Services – Non-Published Rates 3;
- Attachment 2D—a list of Maximum and Minimum Prices for EMI, PMI, and GXG under GEPS–NPR 3 Contracts;
- Attachment 2E—a certified statement concerning prices for applicable negotiated service agreements under GEPS–NPR 3 rates, as required by 39 CFR 3015(c)(2);

¹ Request of the United States Postal Service to Add Global Expedited Package Services – Non-Published Rates 3 (GEPS –NPR 3) to the Competitive Products List and Notice of Filing GEPS –NPR 3 Model Contract and Application for Non-Public Treatment of Materials Filed Under Seal, December 20, 2011 (Request).

- Attachment 3—a Statement of Supporting Justification similar to the Statement of Supporting Justification used to support the classification of GEPS–NPR 1, and as required by 39 CFR 3020.32;
- Attachment 4—a redacted version of the GEPS–NPR 3 model contract.

In the Statement of Supporting Justification, Frank Cebello, Executive Director, Global Business Management, asserts that the product is designed to increase the efficiency of the Postal Service's process, as well as enhance its ability to compete in the marketplace. *Id.*, Attachment 3 at 1. Mr. Cebello states that the product is designed to enable the Postal Service's Global Business sales force to rapidly establish, based on various factors, whether a GEPS-type agreement will be profitable enough to justify establishing an incentive-based mailing plan with the customer for EMI, PMI, and GXG if the customer uses Global Shipping Software. *Id.*, Attachment 3 at 2. In order to accomplish this, the product revises the product designs for GEPS – NPR 1 and GEPS – NPR 2 to include actual rates that will cover their costs, and will eliminate the need for each customer agreement to be added to the competitive products list individually. *Id.*, Attachment 3 at 2, 5. Mr. Cebello contends that the product is not subsidized by market dominant products, it covers costs attributable to it, and it does not cause competitive products as a whole to fail to make the appropriate contribution to institutional costs. *Id.* The Postal Service asserts that the model contract is supported by Governors' Decision No. 11-6, which authorizes management to prepare any necessary product description of non-published competitive services, including text for inclusion in the MCS, and to present the matter to the Commission for review. *Id.* at 3.

Related contract. The Postal Service included a redacted version of the related model contract with the Request. *Id.*, Attachment 4. The Postal Service will notify the Customer of the effective date no later than thirty days after receiving the signed agreement from the mailer. *Id.*, Attachment 4 at 6. The contract will expire 1 year from the effective date unless terminated sooner. *Id.* The Postal Service represents that the contract is consistent with 39 U.S.C. 3633(a). *Id.*, Attachment 4.

The Postal Service filed much of the supporting materials, including the related model contract, under seal. *Id.*, Attachment 1. It maintains that the redacted portions of the materials should remain confidential as sensitive business information. *Id.* at 4. This information includes sensitive commercial information concerning the incentive discounts and their formulation, applicable cost-coverage, non-published rates, as well as some customer-identifying information. *Id.* The Postal Service asks the Commission to protect customer-identifying information from public disclosure for ten years after the date of filing with the Commission, unless an order is entered to extend the duration of that status. *Id.* at 9.

II. NOTICE OF FILINGS

The Commission establishes Docket Nos. MC2012-4 and CP2012-8 to consider the Request pertaining to the proposed Priority Mail Contract 37 product and the related model contract, respectively.

Interested persons may submit comments on whether the Postal Service's filings in the captioned dockets are consistent with the policies of 39 U.S.C. 3632, 3633, or 3642, 39 CFR 3015.5, and 39 CFR part 3020, subpart B. Comments are due no later than January 6, 2012. The public portions of these filings can be accessed via the Commission's website (<http://www.prc.gov>).

The Commission appoints Natalie Rea Ward to serve as Public Representative in these dockets.

III. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket Nos. MC2012-4 and CP2012-8 to consider the matters raised in each docket.
2. Pursuant to 39 U.S.C. 505, Natalie Rea Ward is appointed to serve as officer of the Commission (Public Representative) to represent the interests of the general public in these proceedings.
3. Comments by interested persons in these proceedings are due no later than January 6, 2012.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary